

OSTER
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December 28, 2004

RECORDATION NO. 25374 FILED

DEC 28 '04 9-57 AM

SURFACE TRANSPORTATION BOARD

Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

Dear Sir:

Enclosed for recording with the Surface Transportation Board is a Security Agreement dated 12/27/04 including the following parties and railroad equipment:

Secured Party:	Branch Banking and Trust Company 520 6 th Avenue St. Albans, West Virginia 25177
Debtor:	Rail Connection, Inc. 111 Laurel Avenue Poca, West Virginia 25159
Equipment:	27, Railcars CEPX / WEPX / TKEN Numbers Attached

Please record this agreement as a primary document. The filing fee of \$32 is enclosed.
Thank you for your assistance.

Summary: Security Agreement 12/27/04 between Branch Banking and Trust Company as Secured Party and Rail Connection, Inc. as Debtor including 27, Railcars marked CEPX / WEPX / TKEN, attached hereto.

Sincerely,



Mary Ann Oster
Research Consultant

Enclosure

BB&T SECURITY AGREEMENT

This Security Agreement ("Security Agreement"), is made December 27, 2004, between
RAIL CONNECTION INC

("Debtor"), and Branch Banking and Trust Company, a North Carolina banking corporation ("Secured Party").

This Security Agreement is entered into in connection with (check applicable items):

☐ (i) a Loan Agreement ("Loan Agreement") dated on or before the date of this Security Agreement under which the Secured Party has agreed to make a loan(s) and/or establish a line(s) of credit;

☒ (iii) a promissory note dated 12/27/2004 (including all extensions, renewals, modifications and substitutions thereof, the "Note") of the Debtor or of

(the "Borrower"), in the principal amount of \$ 383,600.00

☒ (iii) a guaranty agreement or agreements (whether one or more, the "Guaranty") executed by the guarantors named therein (whether one or more, the "Guarantors") dated on or about the same date as this Security Agreement;

☐ (iv) a control agreement covering the Debtor's, Borrower's, or any Guarantor's Deposit Account(s), Investment Property, Letter-of-Credit Rights, or Electronic Chattel Paper dated on or about the same date as this Security Agreement executed by the Debtor, the Borrower, and any such Guarantor;

☐ (v) the sale by Debtor and purchase by Secured Party of Accounts, Chattel Paper, Payment Intangibles and/or Promissory Notes; and/or

☐ (vi)

Secured Party and Debtor agree as follows:

I. DEFINITIONS.

1.1 Collateral. Unless specific items of personal property are described below, the Collateral shall consist of all now owned and hereafter acquired and wherever located personal property of Debtor identified below, each capitalized term as defined in Article 9 of the West Virginia Uniform Commercial Code ("UCC") (check applicable items):

☐ (i) Accounts, including all contract rights and health-care-insurance receivables;

☐ (i-a) The Account(s), contract right(s) and/or Health-Care-Insurance Receivables specifically described as follows:

☐ (ii) Inventory, including all returned inventory;

☐ (ii-a) The Inventory specifically described as follows:

☐ (iii) Equipment, including all Accessions thereto, and all manufacturer's warranties, parts and tools therefor;

☒ (iii-a) The Equipment, including all Accessions thereto, all manufacturer's warranties therefor, and all parts and tools therefor, specifically described as follows:

27 RAILCARS (SEE ATTACHED SCHEDULE A FOR LISTING OF CARS)

☐ (iv) Investment Property, including the following certificated securities and/or securities account(s) specifically described as follows:

☐ (v) Instruments, including all promissory notes and certificated certificates of deposit specifically described as follows:

☐ (vi) Deposit Accounts with Secured Party specifically described below (list account number(s)):

☐ (vi-a) The Deposit Accounts with other financial institutions specifically described as follows (list financial institution and account numbers):

☐ (vii) Chattel Paper (whether tangible or electronic);

☐ (vii-a) The Chattel Paper specifically described as follows:

☐ (viii) Goods, including all Fixtures and timber to be cut, located or situated on the real property specifically described as follows (list legal description as shown on deed including county and state):

ACCOUNT# / NOTE#
1370436373 00007

176WV (0408)



CORDATION NO.

25374

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SURFACE TRANSPORTATION BOARD

- ☐ (ix) Farm Products, including all crops grown, growing or to be grown, livestock (born and unborn), supplies used or produced in a farming operation, and products of crops and livestock;
- ☐ (ix-a) The Farm Products specifically described as follows:

- ☐ (x) As-Extracted Collateral from the following location(s) (list legal description including county and state):

- ☐ (xi) The Letter-of-Credit Rights under the following letter(s) of credit (list issuer, number and amount):

- ☐ (xii) Documents of Title, including all warehouse receipts and bills of lading specifically described as follows:

- ☐ (xiii) Commercial Tort Claim(s) more specifically described as follows:

- ☐ (xiv) Money, including currency and/or rare coins delivered to and in possession of the Secured Party specifically described as follows:

- ☐ (xv) Software specifically described as follows:

- ☐ (xvi) Manufactured Home(s):

Model	Year	Serial Number 1	Doublewide Serial Number 2
1.			
2.			

- ☐ (xvii) Vehicles, including recreational vehicles and watercraft described below:

New/Used	Year/Make	Model/Body Type	VIN Number/Serial Number
1.			
2.			
3.			
4.			
5.			
6.			

- ☒ (xviii) General intangibles, including all Payment intangibles, copyrights, trademarks, patents, tradenames, tax refunds, company records (paper and electronic), rights under equipment leases, warranties, software licenses, and the following, if any:

- ☒ (xix) Supporting Obligations;

- ☒ (xx) to the extent not listed above as original collateral, all proceeds (cash and non-cash) and products of the foregoing.

1.2 Obligations. This Security Agreement secures the following (collectively, the "Obligations"):

- (i) Debtor's or Borrower's obligations under the Note, the Loan Agreement, and this Security Agreement, and in addition to the foregoing obligations, if the Debtor is a Guarantor, its obligations under its Guaranty;
- (ii) all of Debtor's or Borrower's present and future indebtedness and obligations to Secured Party;
- (iii) the repayment of (a) any amounts that Secured Party may advance or spend for the maintenance or preservation of the Collateral, and (b) any other expenditures that Secured Party may make under the provisions of this Security Agreement or for the benefit of Debtor or Borrower;
- (iv) all amounts owed under any modifications, renewals, extensions or substitutions of any of the foregoing obligations;
- (v) all Default Costs, as defined in Paragraph VIII of this Security Agreement; and
- (vi) any of the foregoing that may arise after the filing of a petition by or against Debtor or Borrower under the Bankruptcy Code, even if the obligations do not accrue because of the automatic stay under Bankruptcy Code § 362 or otherwise.

1.3 UCC. Any term used in the UCC and not otherwise defined in this Security Agreement has the meaning given to the term in the UCC.

II. GRANT OF SECURITY INTEREST.

Debtor grants a security interest in the Collateral to Secured Party to secure the payment and performance of the Obligations.

III. PERFECTION OF SECURITY INTERESTS.

3.1 Filing of Security Interests.

- (i) Debtor authorizes Secured Party to execute on the Debtor's behalf and file any financing statement (the "Financing Statement") describing the Collateral in any location deemed necessary and appropriate by Secured Party.
- (ii) Debtor authorizes Secured Party to file a Financing Statement describing any agricultural liens or other statutory liens held by Secured Party.
- (iii) Secured Party shall receive prior to the closing an official report from the Secretary of State of each Place of Business and the Debtor State, each as defined below, collectively the "Filing Reports" indicating that Secured Party's security interest is prior to all other security interests or other interests reflected in the report.

3.2 Possession.

- (i) Debtor shall have possession of the Collateral, except where expressly otherwise provided in this Security Agreement or where Secured Party chooses to perfect its security interest by possession in addition to the filing of a Financing Statement.
- (ii) Where Collateral is in the possession of a third party, Debtor will join with Secured Party in notifying the third party of Secured Party's security interest and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Secured Party.

3.3 Control Agreements. Debtor will cooperate with Secured Party in obtaining a control agreement in form and substance satisfactory to Secured Party with respect to Collateral consisting of (check appropriate items):

- ☐ Deposit Accounts (for deposit accounts at other financial institutions);
- ☐ Investment Property for securities accounts, mutual funds and other uncertificated securities;
- ☐ Letter-of-credit rights; and/or
- ☐ Electronic chattel paper.

3.4 Marking of Chattel Paper. If Chattel Paper is part of the Collateral, Debtor will not create any Chattel Paper without placing a legend on the Chattel Paper acceptable to Secured Party indicating that Secured Party has a security interest in the Chattel Paper.

IV. POST-CLOSING COVENANTS AND RIGHTS CONCERNING THE COLLATERAL.

- 4.1 Inspection. The parties to this Security Agreement may inspect any Collateral in the other party's possession, at any time upon reasonable notice.
- 4.2 Personal Property. Except for items specifically identified by Debtor and Secured Party as Fixtures, the Collateral shall remain personal property at all times, and Debtor shall not affix any of the Collateral to any real property in any manner which would change its nature from that of personal property to real property or to a fixture.
- 4.3 Secured Party's Collection Rights. Secured Party shall have the right at any time to enforce Debtor's rights against any account debtors and obligors.
- 4.4 Limitations on Obligations Concerning Maintenance of Collateral.
 - (i) Risk of Loss. Debtor has the risk of loss of the Collateral.
 - (ii) No Collection Obligation. Secured Party has no duty to collect any income accruing on the Collateral or to preserve any rights relating to the Collateral.
- 4.5 No Disposition of Collateral. Secured Party does not authorize, and Debtor agrees not to:
 - (i) make any sales or leases of any of the Collateral;
 - (ii) license any of the Collateral; or
 - (iii) grant any other security interest in any of the Collateral.
- 4.6 Purchase Money Security Interests. To the extent Debtor uses the Loan to purchase Collateral, Debtor's repayment of the Loan shall apply on a "first-in-first-out" basis so that the portion of the Loan used to purchase a particular item of Collateral shall be paid in the chronological order the Debtor purchased the Collateral.
- 4.7 Insurance. Debtor shall obtain and keep in force such insurance on the Collateral as is normal and customary in the Debtor's business or as the Secured Party may require, all in such amounts, under such forms of policies, upon such terms, for such periods and written by such insurance companies as the Secured Party may approve. All policies of insurance will contain the long-form Lender's Loss Payable clause in favor of the Secured Party, and the Debtor shall deliver the policies or complete copies thereof to the Secured Party. Such policies shall be noncancellable except upon thirty (30) days' prior written notice to the Secured Party. The proceeds of all such insurance, if any loss should occur, may be applied by the Secured Party to the payment of the Obligations or to the replacement of any of the Collateral damaged or destroyed, as the Secured Party may elect or direct in its sole discretion. The Debtor hereby appoints (which appointment constitutes a power coupled with an interest and is irrevocable as long as any of the Obligations remain outstanding) Secured Party as its lawful attorney-in-fact with full authority to make, adjust, settle claims under and/or cancel such insurance and to endorse the Debtor's name on any instruments or drafts issued by or upon any insurance companies.

V. DEBTORS REPRESENTATIONS AND WARRANTIES.

Debtor represents and warrants to Secured Party:

- 5.1 Title to and transfer of Collateral. It has rights in or the power to transfer the Collateral and its title to the Collateral is free of all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Security Agreement.
- 5.2 Location of Collateral. All collateral consisting of goods (equipment, inventory, fixtures, crops, unborn young of animals, timber to be cut, manufactured homes; and other tangible, movable personal property) is located solely in the following States (the "Collateral States"); WV
- 5.3 Location, State of Incorporation and Name of Debtor. Debtor's:
 - (i) chief executive office (if Debtor has more than one place of business), place of business (if Debtor has one place of business), or principal residence (if Debtor is an individual), is located in the following State and address (the "Place of Business");
111 LAUREL AVE
PO BOX WV 26152-2662
 - (ii) state of incorporation or organization is West Virginia (the "Debtor State");
 - (iii) exact legal name is as set forth in the first paragraph of this Security Agreement.

- 5.4 **Business or Agricultural Purpose.** None of the Obligations is a Consumer Transaction, as defined in the UCC and none of the Collateral has been or will be purchased or held primarily for personal, family or household purposes.

VI. DEBTORS COVENANTS.

Until the Obligations are paid in full, Debtor agrees that it will:

- 6.1 preserve its legal existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets;
- 6.2 not change the Debtor State of its registered organization;
- 6.3 not change its registered name without providing Secured Party with 30 days' prior written notice; and
- 6.4 not change the state of its Place of Business or, if Debtor is an individual, change his state of residence without providing Secured Party with 30 days' prior written notice.

VII. EVENTS OF DEFAULT.

The occurrence of any of the following shall, at the option of Secured Party, be an Event of Default:

- 7.1 Any default or Event of Default by Borrower or Debtor under the Note, Loan Agreement, any of the other loan documents, and Guaranty or any of the other Obligations;
- 7.2 Debtor's failure to comply with any of the provisions of, or the incorrectness of any representation or warranty contained in, this Security Agreement, the Note, the Loan Agreement, or in any other document relating to the Obligations;
- 7.3 Transfer or disposition of any of the Collateral, except as expressly permitted by this Security Agreement;
- 7.4 Attachment, execution or levy on any of the Collateral;
- 7.5 Debtor voluntarily or involuntarily becoming subject to any proceeding under (a) the Bankruptcy Code or (b) any similar remedy under state statutory or common law;
- 7.6 Debtor shall fail to comply with, or become subject to any administrative or judicial proceeding under any federal, state or local (a) hazardous waste or environmental law, (b) asset forfeiture or similar law which can result in the forfeiture of property, or (c) other law, where noncompliance may have any significant effect on the Collateral; or
- 7.7 Secured Party shall receive at any time following the closing a UCC filing report indicating that Secured Party's security interest is not prior to all other security interests or other interests reflected in the report.

VIII. DEFAULT COSTS.

- 8.1 Should an Event of Default occur, Debtor will pay to Secured Party all costs incurred by the Secured Party for the purpose of enforcing its rights hereunder, including:
 - (i) costs of foreclosure;
 - (ii) costs of obtaining money damages; and
 - (iii) a reasonable fee for the services of attorneys employed by Secured Party for any purpose related to this Security Agreement or the Obligations, including without limitation consultation, drafting documents, sending notices or instituting, prosecuting or defending litigation or arbitration.

IX. REMEDIES UPON DEFAULT.

- 9.1 **General.** Upon any Event of Default, Secured Party may pursue any remedy available at law (including those available under the provisions of the UCC), or in equity to collect, enforce or satisfy any Obligations then owing, whether by acceleration or otherwise.
- 9.2 **Concurrent Remedies.** Upon any Event of Default, Secured Party shall have the right to pursue any of the following remedies separately, successively or concurrently:
 - (i) File suit and obtain judgment and, in conjunction with any action, Secured Party may seek any ancillary remedies provided by law or at equity, including levy of attachment and garnishment.
 - (ii) Take possession of any Collateral if not already in its possession without demand and without legal process. Upon Secured Party's demand, Debtor will assemble and make the Collateral available to Secured Party as it directs. Debtor grants to Secured Party the right, for this purpose, to enter into or on any premises where Collateral may be located.
 - (iii) Without taking possession, sell, lease or otherwise dispose of the Collateral at public or private sale in accordance with the UCC.

X. FORECLOSURE PROCEDURES.

- 10.1 **No Waiver.** No delay or omission by Secured Party to exercise any right or remedy accruing upon any Event of Default shall (a) impair any right or remedy, (b) waive any default or operate as an acquiescence to the Event of Default, or (c) affect any subsequent default of the same or of a different nature.
- 10.2 **Notice.** Secured Party shall give Debtor such notice of any private or public sale as may be required by the UCC.
- 10.3 **Condition of Collateral.** Secured Party has no obligation to repair, clean-up or otherwise prepare the Collateral for sale.
- 10.4 **No Obligation to Pursue Others.** Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other person liable for them and Secured Party may release, modify or waive any collateral provided by any other person to secure any of the Obligations, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any third person for any of the Obligations.
- 10.5 **Compliance With Other Laws.** Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.
- 10.6 **Warranties.** Secured Party may sell the Collateral without giving any warranties as to the Collateral and may specifically disclaim any warranties of title or the like. This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.
- 10.7 **Sale on Credit.** If Secured Party sells any of the Collateral upon credit, Debtor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor shall be credited with the proceeds of the sale as and when received, less expenses.
- 10.8 **Purchases by Secured Party.** In the event Secured Party purchases any of the Collateral being sold, Secured Party may pay for the Collateral by crediting some or all of the Obligations of the Debtor.

The parties have signed this Security Agreement as of the day and year first above written.

If Debtor is a Corporation:

WITNESS:

RAIL CONNECTION INC.
NAME OF CORPORATION
By: Warren K. Higginbotham V.P.
Title: WARREN K. HIGGINBOTHAM, VICE PRESIDENT

By: _____
Title: _____

If Debtor is a Partnership, Limited Liability Company, or Limited Liability Partnership

WITNESS:

NAME OF PARTNERSHIP, LLC, OR LLP
By: _____
GENERAL PARTNER OR MANAGER
By: _____
GENERAL PARTNER OR MANAGER
By: _____
GENERAL PARTNER OR MANAGER

If Debtor is an Individual:

WITNESS:

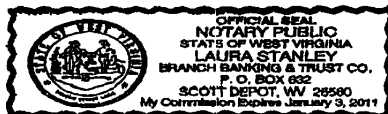
TYPE NAME OF DEBTOR

TYPE NAME OF DEBTOR

STATE OF WEST VIRGINIA
COUNTY OF KANAWHA

THE FOREGOING INSTRUMENT WAS ACKNOWLEDGED BEFORE ME THIS 27TH DAY OF DECEMBER, 2004
BY WARREN K. HIGGINBOTHAM, VICE PRESIDENT, RAIL CONNECTION, INC. A WEST VIRGINIA
CORPORATION.

MY COMMISSION EXPIRES JANUARY 3, 2011



Laura Stanley
NOTARY PUBLIC

SCHEDULE A

27 RAILCARS

CEPX	1837
CEPX	1840
CEPX	1846
CEPX	1859
CEPX	1861
CEPX	1883
CEPX	1874
CEPX	1875
CEPX	1876
CEPX	1881
CEPX	1882
CEPX	1887
CEPX	1888
WEPX	1512
WEPX	1513
WEPX	1514
WEPX	1516
WEPX	1519
WEPX	1520
TKEN	1770
TKEN	6552
TKEN	8500
TKEN	7166
TKEN	7507
TKEN	8532
TKEN	8385
TKEN	8407

RAIL CONNECTION, INC.

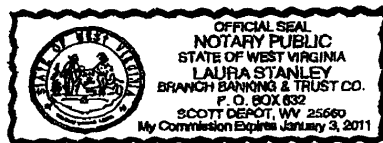
BY:

 V.P.
WARREN KURT HIGGINBOTHAM, VICE PRESIDENT

STATE OF WEST VIRGINIA
COUNTY OF KANAWHA

THE FOREGOING INSTRUMENT WAS ACKNOWLEDGED BEFORE ME THIS 27TH DAY OF DECEMBER, 2004
BY WARREN K. HIGGINBOTHAM, VICE PRESIDENT, RAIL CONNECTION, INC. A WEST VIRGINIA
CORPORATION.

MY COMMISSION EXPIRES JANUARY 3, 2011




NOTARY PUBLIC